DOCUMENT RESUME

ED 241 817 CE 800 121

TITLE	Personal Money Planner. The CIRcular: Consumer Information Report 14.
INSTITUTION	Bank of America NT & SA, San Francisco, CA.
PUB DATE	Mar 80
NOTE	6p.; For related documents, see CE 800 122-133.
AVAILABLE FROM	Bank of America, Dept. 3401, Box 37128, San Francisco, CA 94137 (first set free, $0.10 per copy thereafter, 10 copies $1.00, 100 copies $7.00).
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Banking; *Budgeting; *Consumer Education; *Expenditures; Guidelines; Long Range Planning; *Money Management; Objectives; Pamphlets; Worksheets
IDENTIFIERS	*Goal Setting; PF Project

ABSTRACT

This report gives suggestions for starting a personal money plan, provides a worksheet for developing the plan, and offers ideas for putting the plan into action. Guidelines are presented for the following steps in developing a money plan: setting short- and long-term spending and saving goals; making a timetable for reaching those goals; determining annual net income; listing expenses; and using the money plan worksheet. The worksheet provides space for recording actual and desired annual and monthly expenses in 40 categories divided into four sections: housing, personal maintenance, obligations, and savings and investment. Pros and cons of the following methods of putting the money plan into action are discussed: using a combination of savings and checking accounts; setting up a cash box containing envelopes in which the money budgeted for each category is periodically placed; and keeping a ledger for each budget category so that the amount spent can be compared with the amount budgeted. Recommendations are offered for periodic adjustments of the money plan and for actions to take if budget deficits are a regular occurrence. Information in this report is current at the time of printing, March 1980, but is subject to change. (DC)

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The CIRcular
Consumer Information Report 14

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Personal Money Planner

A money plan can help you get more satisfaction from your hard-earned dollars by directing them where they're needed most. This report suggests how to start a money plan, provides work sheets, and offers ideas for putting your plan into action.

SET YOUR GOALS Your money plan will make it easier for you to accomplish two major tasks: Meet day-to-day expenses without straining and move steadily toward your financial goals. In fact, a good way to begin a money plan is to define your goals and set up timetables for achieving them. Your list of both short- and long-term goals might include:

- Pay all bills on time.
- Keep credit card and charge account spending within predetermined limits.
- Establish an emergency savings account of a certain size, such as 10% of your total annual pay or from two to six months' take-home pay.
- Save for specific purchases, such as the down payment on a car or home.
- Set up an investment program for additional current income or to provide retirement income.

Don't forget to take a look at your list to see whether all your goals can actually be met through a budgeting system. For example, you may decide that many of your present money problems stem from using your charge accounts too much. In that case, perhaps you'll need to supplement your budget controls with other self-discipline aids such as leaving your charge cards at home unless you plan to use them for budgeted expenses.

Make a Timetable Your decisions about how quickly you want to reach your goals obviously will affect the figures you put in your budget. If you want to buy a home in two years, for instance, you'll have to save for the down payment at a faster rate than if you had four or five years. That, in turn, means you'll probably have to cut back on expenses in other categories. Try to be as realistic as you can when setting your timetables so you'll be able to live comfortably with your choices and be less tempted to stray from your plan.

FINDING THE FIGURES Your annual *net* income—what's left after income taxes, Social Security, and other mandatory deductions—is the figure to start with. Don't subtract from this figure any voluntary deductions from your paycheck, such as charity donations or health insurance premiums. Even though they aren't part of your take-home pay, you still control that spending and will enter it in your money plan.

Perhaps you work irregular, part-time hours or you're paid on a commission basis. If so, you can estimate your income or use an average figure based on the past few years' income as reported on your tax returns. It's to your advantage to be conservative in projecting your income so that you don't have to make big adjustments in your plans if your earnings are less than you anticipated. You can place "contingency income"—possible raises, bonuses, or overtime pay—outside your mainstream figuring and note whether it will go into savings, for instance, or be spent for some special purpose.

LIST YOUR EXPENSES You'll need to know how much you're currently spending for various things so you can see what changes are necessary or desirable. Some payments you already know—your rent or monthly car loan payment, for example—but to complete the picture you'll probably have to turn to your records.

Records will include your check register or cancelled checks, purchase receipts such as grocery store cash register tapes, and credit card and charge account statements. Gather all the spending records you can find, preferably for the past 12 months so your figures will be broadly representative.

Finding the Leaks Chances are that even with records to guide you, you'll still find some gaps in your spending pattern—"leaks," as the budgeting experts call them. If you're in the habit of frequently writing checks to "cash," for instance, or taking back a lot of cash when you deposit your paycheck, you may want to take some extra steps to track your spending of that money.

One way to go about it is to carry a small notebook or a piece of paper in your wallet or purse. Just as you would if paying by check, each time you pay for something in cash (magazines, lunch, etc.), note what you bought and the amount paid. Do this for several weeks, or as long as you feel is necessary, to track your spending.

THE MONEY PLANNER Consider the expense categories and items listed in the money planner as a starting point, a suggestion to help you organize your thinking, and modify them as needed to suit your own situation. For instance, if you're a student living at home, you'll probably eliminate many if not all housing costs but break down education expenses in some detail. Or, if you have many pets, you may want to include separate listings for pet food and veterinary care.

The Annual Plan The annual expense figures you develop will be useful in two ways. First, they will show you the overall effect of your spending—for example, the clothes and home furnishings bought here and there, adding up to hundreds of dollars over the year. Also, the annual overview can point out some expenses, such as insurance premiums or property taxes, that tend to slip out of sight until shortly before they're due to be paid.

Whether you spend irregular amounts at irregular times (as for clothes and home furnishings) or fixed amounts at long intervals (as for insurance and taxes), one of the

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MONEY PLANNER WORK SHEET

NET INCOME

Sources	Annual $	Monthly $
	$	$
	$	$
	$	$
	Total Annual $	Total Monthly $

EXPENSES

	Annual		Monthly	
	Now	Goal	Now	Goal
HOUSING				
Rent, Home Loan Payment				
Property Taxes, Assessments*				
Property Insurance (homeowner, tenant)*				
Maintenance, Repairs*				
Utilities				
Gas, Electricity				
Other Fuel				
Telephone				
Water, Sewer				
Cable TV				
Garbage Collection				
Home Furnishings*				
Other (such as homeowners' association dues, household help *other than* child care)				
PERSONAL MAINTENANCE				
Food				
Clothing				
Purchases*				
Laundry, Drycleaning, Repairs				
Self-Improvement				
Education				
Books, Magazines, Newspapers				
Entertainment & Recreation				
Vacations*				
Other (including movies, sports, restaurants, hobbies)				

EXPENSES	Annual		Monthly	
	Now	Goal	Now	Goal
Transportation				
Gas, Oil				
Repairs, Maintenance*				
Parking, Tolls				
Auto Insurance*				
License, Registration*				
Public Transportation				
Gifts & Holiday Expenses (*other than* Christmas Club accounts)*				
Child/Dependent Care (including babysitters, nursery school fees, convalescent care)				
Health Care				
Health Insurance				
Doctors' Visits				
Prescriptions, Medicine				
Personal Care (including barber, hairdresser, cosmetics)*				
OBLIGATIONS				
Regular Payments to Others (including alimony, child support, other court-ordered payments)				
Contributions & Dues (voluntary, including those deducted from your paycheck)				
Debt Payments				
Installment Loan Payments (for vehicles, furniture, etc)				
Credit Card, Charge Accounts				
SAVINGS & INVESTMENT				
Short-Term Savings (including Christmas Club, emergency fund)				
Long-Term Savings (including company or private pension)				
Life Insurance				
Investments (including stocks, bonds, real estate)				

*Set-aside account

easiest ways to prepare for such spending is to set aside regular amounts at regular intervals. For your planning convenience, expense items that lend themselves to this set-aside method have been noted with asterisks on the money planner work sheets provided at left.

The Monthly Plan Budgeting on a monthly basis is common because many expenses are due monthly and pay periods usually fall easily into monthly intervals. If planning by the month doesn't suit your needs, however, use any period that does—a week, perhaps, or your pay period.

To get one month's expenditure for an item, in some cases you'll be able to simply divide the annual amount by 12. However, such an approach may not work so neatly for other items, such as utility bills, which vary from month to month. If you want to plan more precisely for each month, you'll have to develop those fluctuating expense figures separately, perhaps basing your projections on last year's spending for the same period.

Actual vs. Goal Spending Both the annual and monthly expense columns contain space for entering what you're spending now for each item and what you'd like to set as a spending goal for the year or month ahead. Your goal could be either to limit spending or increase it in specific categories; for instance, to cut your gasoline bill by $10 a month or give yourself $10 more a month for clothes. Another option is to use the "goal" spaces for noting expenses you're quite sure will change in the coming period—a raise in your rent or insurance premium or a drop in your food bills when your children return to college.

YOUR PLAN IN ACTION Once your money plan is made, how will you put it into effect? What arrangements will let you keep the best track of your spending? Two of the most important characteristics of your system will be convenience and efficiency.

Convenience The system you choose to implement your money plan should be as simple as possible so you can use it easily. Attempting to record *all* spending generally isn't practical; on the other hand, you will have to keep *some* records if you're to know how your plan is working. Various methods are discussed later.

Efficiency You'll need a system that can track your spending as closely as you want. That means, among other things, organizing your records and reviewing them regularly. Keep your money planner together with your files of purchase and payment receipts and, if possible, set regular dates to go over your records, check them against your plan, and make any adjustments.

With convenience and efficiency in mind, consider the budgeting systems described on the following page.

BANK ACCOUNTS A combination of checking and savings accounts could work this way: a checking account for all regular

operating expenses (those paid at least once a month); a regular savings account for funds set aside to meet periodic expenses such as taxes and insurance as well as short-term savings. Or, use a second checking account to accumulate periodic payments.

The big advantages to this system are its safety, the records it generates (in the form of cancelled checks), and the interest that a savings account may earn. The main disadvantages are the attention required to record account activity and balance your statement and checkbook; also, you may be charged service fees for your checking accounts or for making frequent withdrawals from your savings account. Before deciding, find out about the costs and procedures involved in the accounts you're considering.

THE CASH BOX You could set up a cash box with a number of envelopes, each marked according to the purpose for which the money will be spent. At the beginning of the planning period, you put the money you've budgeted into the appropriate envelopes; when payments are due, you withdraw the amounts you need. (You could also keep receipts in the same envelopes.)

The advantages to such a system are its simplicity and the control it gives you. There's little chance of mistakenly using gas money to pay the newspaper carrier, for instance, because you can see which fund is which. And you may be less likely to overspend because you can see when you're out of funds.

The cash box has serious disadvantages, however. The main one is the danger in keeping cash at home, especially if you're working with larger amounts. The money could be lost to fire or thieves—or, because it's so accessible, you may be more tempted to spend it. Also, this system would mean that you'd either have to make all your payments in cash or convert the cash to some other form of payment, which might entail a service charge.

Possibly the most useful and least dangerous kind of cash box system would be one for only small expenses—bus fare, weekday lunches, babysitters—that you normally pay in cash. Use checking and savings accounts for more sizable expenses or those that could be paid by check.

THE GOALTENDER A simplified type of ledger system like the one shown on this page could be useful in tracking some of your set-aside accounts, household operating expenses, or whatever items you choose. This system can be used to supplement the other bookkeeping procedures you use, such as your check register. It provides a see-at-a-glance comparison between what you've spent to date and the goals of your money plan.

CLOTHING Goal $				HOME FURNISHINGS Goal $			
Date	Item	Paid	Balance	Date	Item	Paid	Balance

The simplest way to set up a goaltender is to select the expense items you want to watch, note the annual "goal" amounts from your plan, list expenses as you buy, and balance the accounts after each transaction. Suppose, for example, that you've set an annual goal of $600 for clothes. (That doesn't mean you actually have $600 available at that moment to spend; it's just a figure to keep in mind.) If in two months' time your goaltender shows that you've spent $350 on clothes, you'll know that you had better slow down if the remaining $250 is going to last the rest of the year.

The goaltender could also work on a monthly basis, if you prefer, in the same way described above.

ADJUSTING YOUR PLAN Whatever system you choose to implement your plan, there will be times when you need to adjust it. For example, inflation will affect your projections—and more severely in some cases than others. To allow for its effects, your options include (1) padding your annual expense projections by an across-the-board increase equal to the rate of inflation or (2) putting extra money into your emergency savings account to cover possible budget shortages in expense allowances.

Other Evaluations Don't overlook the value of examining your goals and timetables occasionally to determine whether they are still realistic. It may be that your budget is squeezed because you've been trying to get too far too fast. Also look at your "fixed" expenses: Could you pay off some credit accounts more quickly and save on finance charges? Are your income tax withholdings larger than necessary?

IF ENDS WON'T MEET A minor budget deficit once in a while probably won't cause great concern, but if you regularly fall short by a wide margin it may well be time to take decisive action.

One of the first things to do is organize your bills so that you know exactly how much you owe to whom, and the status of each account—current, past due, or delinquent. Next, write to your creditors to explain the situation and to ask whether they would work with you to resolve it, perhaps by extending your repayment schedule.

Consumer Credit Counselors For help with budgeting and debt management, Consumer Credit Counselors operates as a community nonprofit organization in many California cities. Counseling and budgeting services are available free of charge. The debt management program involves CCC's administering a repayment program designed in cooperation with your creditors. A nominal fee, based on the amount paid each month to your creditors, is charged for that service.

To find the Consumer Credit Counselors office nearest you, consult the white pages of your telephone directory, or write to Consumer Credit Counselors of California, 1429 Market Street, San Francisco, CA 94103.

IT'S UP TO YOU Designing and implementing a good money plan is no snap. It takes time and effort to do the job well. To bolster your motivation, consider this fact: In the course of your lifetime you'll control many thousands of dollars in earnings. Certainly you'd like to get as much value from your money as you can, which is the main purpose of your plan. Follow it, and your time—and money—will be well spent.

Prepared by Bank of America, Box 37128, San Francisco, California 94137

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AD-264 (REV 3/80)